



DEPARTMENT OF THE NAVY
SPACE AND NAVAL WARFARE SYSTEMS COMMAND
4301 PACIFIC HIGHWAY
SAN DIEGO, CA 92110-3127

SPAWARINST 4440.2C
SPAWAR 05L2
17 March 1998

SPAWAR INSTRUCTION 4440.2C

From: Commander, Space and Naval Warfare Systems Command

Subj: TRANSFER OF INVENTORY CONTROL OF 2Z COG ITEMS TO NAVSUP

Ref: (a) NAVSUPINST 4440.172 dtd 19 December 1991
(b) SPAWARINST 4410.1E dtd 20 February 1992

Encl: (1) Criteria and Codes for Identifying Items During Design Stable Transfer Reviews
(2) Stock Transfer Worksheet
(3) Stock Transfer Review (STR) Checklist/Timeline

1. Purpose. To publish policies and procedures for an annual review of material cognizance assignments and the transfer of acquisition and inventory management responsibilities between Space and Naval Warfare Systems Command (SPAWAR) and Naval Supply Systems Command's (NAVSUP) Inventory Control Point (ICP).

2. Cancellation. SPAWARINST 4440.2B of 9 November 1992 is cancelled.

3. Background.

a. Equipment migration is the process by which an item, group, or category of material is reassigned to a Systems Command (SYSCOM) or ICP. Reference (a) establishes the criteria for SYSCOM level management assignments and directs the SYSCOM to periodically review each item under their management control using the criteria listed in enclosure (1). This process is the Design Stable Transfer Review.

b. NAVSUP assumed the role of lead SYSCOM for the transfer of design stable items upon the disestablishment of the Naval Material Command in 1985. NAVSUP retains the financial authority to approve transfers, and attends the meetings. Item management assignment conflicts that arise between the potential losing and gaining activities are evaluated and resolved with NAVSUP.

4. Definitions.

a. Appropriation Purchases Account (APA). A weapon system manager purchases items which are issued to the end user at no cost. These items may be repair parts, equipment, or systems. APA material is purchased out of procurement funds (OPN, WPN, APN).

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b. Navy Stock Account (NSA). A revolving fund employed primarily for material and supplies. The initial procurement is made from the revolving fund. The items are issued on a reimbursable basis. The reimbursement includes a surcharge for handling and stocking. An annual appropriation is made to the account to augment the inventory.

c. Interim Transfers. Emergency transfers accomplished outside of the formal design stable item review.

d. Inventory Management. That phase of military logistics which includes managing, cataloging, requirements determination, procurement, distribution and scheduling for repair or disposal of material.

e. Reverse Transfers. Items transferring from ICP management back to SPAWAR management.

5. Policy.

a. It is the policy of the Commander, Space and Naval Warfare Systems Command that material cognizance assignments and subsequent transfers be accomplished on a systematic and orderly basis. Item migration will be accomplished through the formal review procedures set forth in this instruction.

b. A review of each item managed by SPAWAR will be conducted during the Design Stable Transfer Review process using item information identified in enclosure (2). Items reviewed will be coded for transfer or retention using the coding criteria contained in enclosure (1). Potential candidates for transfer which are managed by the ICP will also be coded for reverse transfer using enclosure (1) criteria.

c. Only items identified by a National Stock Number (NSN) or with a Navy Item Control Number (NICN) pending NSN assignment will be subjected to the transfer review. Activity control numbers, manufacturer's part numbers, local stock numbers or any method of identifying parts repetitively procured or managed by other than an NSN should not be used for the purpose of excluding an item from the program. An item will not be excluded from transfer consideration because it lacks technical data unless the missing data would impede the procurement function. The Program Managers must ensure that NSN is promptly assigned to all items to ensure their inclusion in this program. Reference (b) delineates SPAWAR procedures for assigning a new NSN.

d. To the maximum extent possible, SPAWAR Program Managers will transfer funds to the gaining ICP to support obligations and commitments necessary to satisfy current backorders and forecasted demands.

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e. The transfer of acquisition and inventory management functions from SPAWAR to an ICP does not abolish SPAWAR's technical and design control responsibilities. When potential transfer items with outstanding or future requirements are selected for transfer:

(1) All PDs/PMWs will identify Fleet Modernization Program (FMP) and Coast Guard (COGARD) OPN requirements for all 2Z cog material with the exception of Integrated Undersea Surveillance System (IUSS).

(2) SPAWAR 05F will identify Shipbuilding and Construction, Navy (SCN), Foreign Military Sales (FMS) and other program requirements for all 2Z cog material with the exception of IUSS.

(3) PD18 will identify the FMP, OPN, and FMS and other program requirements for IUSS. The requirements data will be provided to the Program Managers prior to the Design Stable Transfer meeting to enable the assets that were previously procured, to be earmarked for shipment to the end user. This process prevents items from being paid for twice, one time by SPAWAR, then again by the end user due to the shift from APA to NSA. Program Managers are responsible for directing the storage of the assets that are earmarked at SPAWAR field activities until the required assets are delivered to the end users. The SPAWAR field activity will then ship assets to the end user without further charge. These items will be identified up front to NAVICP to ensure visibility of installations and budgetary control. This period shall not exceed one year.

f. The Navy Comptroller has delegated limited financial authority to NAVSUP for fiscal approval of item transfers from APA to NSA cognizance. The net Value of Annual Demand (VAD) for transfers between the NSA and the APA within the Navy will be limited to \$5 million for ship related material and \$12.5 million for aviation related material. Based upon an analysis of data provided by SPAWAR, NAVSUP will provide approval for transfers within these thresholds. In order to maximize the number of items transferred and remain within the threshold, low impact items will be identified for immediate transfer. Transfers exceeding the threshold cannot be authorized by NAVSUP. NAVSUP will refer these financially significant or operationally appropriate transfers to the Chief of Naval Operations (N-4) for funding consideration and approval during the POM preparation process in the September through December time frames.

g. An assessment of the impact on customer operating and outfitting accounts of any transfer between the NSA and APA is necessary prior to transfer approval. NAVSUP will make this assessment based upon data provided by SPAWAR. The assessment will center on the Value of Annual Demand (an item's annual recurring demand multiplied by price) computed for each transfer candidate. On-hand and on-order asset availability will also be part of the assessment process. Transfer will not occur until the funding levels to be transferred by fiscal year are concurred upon by both the CNO Program Sponsor and N-4.

h. Interim transfers from SPAWAR to the ICP and interim reverse transfers from the ICP to SPAWAR (regardless of store account) must be reviewed by NAVSUP (Code 411).

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i. SPAWAR shall actively manage the items under its cognizance until the effective date of transfer.

6. Responsibilities.

a. Program Managers, SPAWAR (PMWs) are responsible for:

(1) Continuous active inventory control of 2Z cog items up to the actual cognizance migration to the ICP or other gaining manager.

(2) Directing and managing the storage of assets that were previously procured for programmed requirements and are stored at SPAWAR field activities until the required assets are delivered to the end user.

(3) Completion of technical data required on enclosure (2).

b. SPAWAR 05F will identify SCN, FMS and other program requirements for all 2Z cog material with the exception of IUSS.

c. PD18 will identify the FMP, OPN, and FMS and other program requirements for IUSS.

d. SPAWAR 01-1 is responsible for confirming funding levels for those items to migrating out of the command.

e. PD/PMWs are responsible for identifying Fleet Modernization Program (FMP) and Coast Guard (COGARD) OPN requirements for all 2Z cog material with the exception of IUSS.

f. SPAWAR 05L2 is responsible for:

(1) Developing and implementing the Design Stable Transfer Program within SPAWAR.

(2) Designating, in writing, a Design Stable Transfer representative to assist in determining appropriate material management assignments.

(3) Coordinating Design Stable Transfer actions to ensure proper application of item management principles.

7. Action.

a. PMWs shall:

(1) Initiate NSN assignment per reference (b) for all items procured and managed prior to delivery of equipment from contractors.

(2) In accordance with enclosure (1), prepare enclosure (2), for the list of SPAWAR 2Z cog managed equipment and return to 05L2 within 45 days after receipt.

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b. SPAWAR 05L2 shall:

(1) Review the list of potential transfer candidates for depot assignment. Listing will be done concurrently with the release of the list of SPAWAR managed items to the program directors; return to 05L2 within 10 working days after receipt. Provide applicable Depot Maintenance Interservice Support Agreement (DMISA) data.

(2) Arrange Design Stable Transfer Review meetings with NAVSUP, NAVICP or the gaining inventory manager, and SPAWAR Program Managers; publish location, agenda, potential review candidates, and notify all activities involved.

(3) Conduct training sessions with PMWs on the Design Stable Transfer process.

(4) Forward letter of request 135 days prior to the scheduled Design Stable Transfer Review meeting to NAVICP to obtain Defense Logistics Service Center (DLSC) screens and other required listings of all 2Z cog items in NSN sequence to be received 120 days prior to the scheduled Design Stable Transfer Review meeting. The following data elements will be included:

- (a) NSN
- (b) Approved Item Name (AIN)
- (c) Major Organizational Entity (MOE) rule data
- (d) Commercial and Government Entity (CAGE) code
- (e) Manufactures part number or drawing
- (f) Cognizance symbol
- (g) Procurement and repair due-ins
- (h) Designated Overhaul Point (DOP)
- (i) Installation data (quantity)
- (j) Validated on-hand quantities (serviceable/unserviceable)
- (k) Validated standard, replacement, net and repair prices
- (l) Procurement and repair lead times

(5) Request special data from NAVICP as required to support the Design Stable Transfer process.

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(6) Provide the PMWs with a list of all SPAWAR managed equipments at least 105 days prior to the scheduled review.

(7) Submit a list of potential transfer candidates, received from the inventory managers or ILS Managers, to NAVICP, or other gaining activity at least 45 days prior to the Design Stable Transfer Review meeting. Forward a copy of the cover letter to NAVSUP (Code 0323).

(8) Chair the Design Stable Transfer Review meeting to select transfer items and obtain concurrence from all representatives for items to be migrated.


(9) Prepare and publish the minutes of the Design Stable Transfer Review meeting, formally requesting NAVSUP to approve the transfers and to assign an effective transfer date.

(10) Obtain NAVSUP concurrence by letter, with the proposed final list of items scheduled for immediate transfer.

(11) Coordinate change notice action with NAVICP and ensure appropriate data elements in the Master Data File (MDF) are updated for all transfer items and that the SPAWAR Equipment Dictionary (EDICT) reflects the cognizance transfer.

(12) Coordinate the item transfer date, technical data requirements and contract administration with NAVICP or the gaining inventory manager. Full consideration shall be given to the budget cycle to permit orderly assumption by the gaining inventory manager of all budgetary responsibilities for items being transferred.

(13) Initiate, monitor, and complete interim cognizance transfers when appropriate.


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Rear Admiral, U. S. Navy

Distribution:
SPAWAR List 2
SNDL Part II:
FKQ (SPAWARSYSCOMCEN's)

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CRITERIA AND CODES FOR IDENTIFYING ITEMS DURING DESIGN STABLE TRANSFER REVIEWS

1. All items retained by SPAWAR for inventory management should fall within one or more of the criteria outlined below. Therefore, to facilitate Design Stable Transfer Reviews, each item on the item review list will be numerically coded to represent the applicable criteria for retention. Numeric codes should precede the national stock number on the item review list. SYSCOMs will utilize the following selections as a guide for uniformity in coding stock numbered items: (e.g., items retained in a research and development stage would be coded numeric one (1)).

<u>Criteria</u>	<u>Code</u>
Research and Development	1
Engineering Control Decision	2
Unstable in Design	3
CNO Assigned Items	4

CODE 1 – Research and Development Stage. Items qualifying under this category must be under development and not yet in fleet operational use.

CODE 2 – Engineering Control Decisions. Items under this category require a high degree of engineering judgment relative to design or relationships to a system. It pertains principally to those items requiring engineering decisions during production or prior to each issue. Items that remain in this category after two years of operational use must be justified in the same manner as Criteria Code 4 items of this instruction.

CODE 3 – Unstable-In-Design. Items which are determined by an engineering decision to be highly subject to design change or replacement through modification of its next higher assembly. End items, components, test and evaluation equipment unstable-in-design do not exclude their intrinsic parts from Design Stable Transfer Review.

CODE 4 – Items Assigned to a Single Command Manager by Authorizing CNO Directives. Items qualifying for this category are limited to items of major importance. Inclusion in this category is a matter for CNO decision based upon justifying rationale submitted by the originating command. As a general rule, items changed from Criteria Codes 2 and 3 into this code will be transferred to an inventory control point for inventory management even though the procurement function remains at the headquarters level. Items assigned under this criterion will be considered as an adjunct to Design Stable Transfer and therefore are not precluded from formal review when scheduled.

2. Items in the following categories will be excluded from retention: All items for which interest has been withdrawn due to valid and acceptable reasons; and those items approved for transfer. Numeric codes should precede the national stock number on the item review list. SYSCOMs will utilize the following selections as a guide for uniformity in coding stock numbered items: (e.g., items accepted for transfer would be coded numeric five (5)).

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Criteria

Code

Withdrawal of Interest

0

Selected for Transfer

5

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STOCK TRANSFER WORKSHEET	
IDENTIFICATION AND TECHNICAL POINTS OF CONTACT SECTION	
NOMENCLATURE	APL
CURRENT COG NUMBER	NSN CAGE PART
SPAWAR IM PHONE#	CODE
SPAWAR ENGINEER PHONE#	CODE
SPAWAR LOGISTICIAN PHONE#	CODE
TECHNICAL INFORMATION SECTION	
1. WHAT IS PROPOSED COG SYMBOL? (1H, 6C, OR 7G)	1H
2. ATTACH COMPLETE PROCUREMENT/TECHNICAL SPECIFICATION PACKAGE, INCLUDING COPY OF LAST CONTRACT.	<input type="checkbox"/>
3. ATTACH COPY OF PENDING ECP'S AND DCN'S.	<input type="checkbox"/>
4. ATTACH A LIST OF GFM/GFE/GFP INVENTORY HELD AT CONTRACTOR AND CONTRACT WHICH PROVIDED GFM/GFE/GFP.	<input type="checkbox"/>
5. PROVIDE INTERCHANGEABILITY AND SUBSTITUTABILITY DATA.	<input type="checkbox"/>
6. ATTACH COPY OF MAINTENANCE PLAN.	<input type="checkbox"/>
7. ATTACH END ITEM OVERHAUL	<input type="checkbox"/>

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SCHEDULE.	
8. ATTACH DE-INSTALLATION PLAN IF THE EQUIPMENT IS BEING REPLACED.	<input type="checkbox"/>
9. PROVIDE DATA/DOCUMENTS REFERENCE INVENTORY SPECIAL TOOLS, TEST EQUIPMENT, JIGS AND FIXTURES AND THEIR LOCATIONS AND AUTHORIZATION FOR RENT-FREE USE OF THIS GFM FOR PROCUREMENT OR REPAIR.	<input type="checkbox"/>
10. LIST ISEA/FMA/POC/PHONE.	
11. WHAT ISEA/FMA INITIATIVES ARE UNDERWAY (DART, EFM, ETC.)?	
12. IDENTIFY QUANTITY/CONDITION AND LOCATION OF ALL ASSETS (STOCK SYSTEM AND EXTERNAL).	
13. VALIDATE WSF DATA, LOCATION AND QUANTITY OF ALL INSTALLATIONS. PROVIDE LIST AS APPROPRIATE.	<input type="checkbox"/>
14. WHAT IS THE REMAINING SERVICE LIFE?	
15. IS THERE A REPLACEMENT FOR THIS EQUIPMENT? IF YES, WHAT IS IT? WHAT IS THE PSD NUMBER FOR THE REPLACEMENT?	
16. WHAT ARE KNOWN SUPPORT PROBLEMS?	

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STOCK TRANSFER WORKSHEET	
17. IF THERE ARE CURRENT REQUIREMENTS FOR PROCUREMENT LIST THE EXISTING PSD NUMBER.	
18. LIST DOP/POC/PHONE.	
19. LIST CONTRACTOR/POC/PHONE.	
20. PROVIDE REPLACEMENT PRICE.	
21. PROVIDE REPAIR PRICE.	
22. IF ITEMS DUE-IN ON CONTRACT PROVIDE THE FOLLOWING:	
- QUANTITY DUE IN	
- CONTRACT NUMBER	
- CONTRACTOR NAME	
- DELIVERY SCHEDULE	
23. VERIFY AND PROVIDE PM/PMIS DATA FOR ALL FUTURE KNOWN INSTALLATIONS WITH SPAWAR PROVIDED ASSETS IDENTIFIED.	<input type="checkbox"/>
24. OTHER PERTINENT INFORMATION.	
COGNIZANT ENGINEER'S SIGNATURE	

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STOCK TRANSFER WORKSHEET						
RECURRING ANNUAL DEMAND				PROJECTED ANNUAL DEMAND		
PAST FY	CURREN T FY	CURRENT FY +1	CURREN T FY +2	CURREN T FY	CURREN T FY +1	CURRENT FY +2
		CURRENT FY DOLLARS			CURRENT FY +1	CURRENT FY +2
TYPE FUND	QTY	FUNDED	UNFUNDED			
OPN						
SCN						
O&MN						
FMS						
OTHER						

NOTE: Supported by FMPMIS data to identify funding source of future installations. (item #23)

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STOCK TRANSFER REVIEW (STR) CHECKLIST/TIMELINE

1. **SPAWAR 05L2** – Brief PDs about the stock transfer review process and proposed training schedule. PDs to provide central POC for each directorate. (STR –140)
2. **SPAWAR 05L2** – Conduct training for each directorate. (STR –140 to –120)
3. **SPAWAR 05L2** – Send letter request to NAVICP requesting Defense Logistics Service Center Screen of all 2Z COG items in NSN sequence. (STR –135)
4. **SPAWAR 05L2** – Provide the PMWs with a list of all SPAWAR managed equipment. (STR –105)
5. **PMWs** – Begin filling out the Stock Transfer Worksheets. (STR –105)
6. **SPAWAR 05L2** – Complete review of depot assignments. (STR –95)
7. **PMWs** – Submit completed Stock Transfer Worksheets to SPAWAR 05L2. (STR –60)
8. **SPAWAR 01-1** – Verify funding levels for items migrating out of the command. (STR –45)
9. **SPAWAR 05L2** – Review worksheets and schedule a review session for each PD or PMW as required. (STR –60 to –45)
10. **SPAWAR 05L2** – Submit a list of potential transfer candidates to NAVICP with cover letter to NAVSUP. (STR –45)
11. **SPAWAR 05L2** – Publish correspondence for announcement of meeting time, date and place. Schedule by code. (STR –30)
12. **NAVICP** – Review items coded for acceptance. Justification required for unacceptable items. (STR –45 to –10)
13. **SPAWAR 05L2** – Chair the STR meeting. (STR = 0)
14. **SPAWAR 05L2** – Prepare minutes of the review and request formal transfer approval from the appropriate CNO Program Sponsor. (STR +10)
15. **SPAWAR 05L2** – Coordinate change notice action with NAVICP and ensure the MDF and EDICT reflect the transfer. (TBD – NLT Transfer date)